

M E M O R A N D U M

RE: STATE LEASE
NO. 318 INVESTIGATION

June 7th, 1935:

Written request by William T. Burton to Governor Allen to advertise the property under the same description as ultimately contained in State Lease No. 318.

June 11th, 1935:

Usual written notice of publication signed by Governor Allen to advertise the property in the Baton Rouge State-Times, the Hammond Daily Courier, the New Orleans Item, the Jefferson Democrat, the St. Charles Herald, and L'Observateur of Reserve, La., property to be advertised on June 14th, June 21st and June 28th, 1935, bids to be received on July 2nd, 1935.

July 2nd, 1935:

Written bid of William T. Burton offering a cash bonus of \$32,750.00 and an annual rental equal to 1/2 of the cash bonus for a three year lease. 1/8th royalty to the State on oil; \$2.00 per long ton for sulphur; 10¢ per ton for potash; 1/8th of net proceeds from sale of gas and 1/8th of all other minerals produced and saved. Apparently no other bid is contained in the records of the State Land Office.

July 3rd, 1935:

Written lease from State of Louisiana to William T. Burton, which lease is recorded in Parish of St. Charles, Book JJ, Folio 30; Parish of St. John the Baptist, Book 4, Folio 344; Parish of Orleans, Book 484, Folio 103; Parish of Jefferson, Book 125, Folio 35; Parish of St. Tammany, Book 129, Folio 92; Parish of Tangipahoa, Book 141, Folio 474; Parish of Livingston, Book 43B, Folio 5. The lease provided for the drilling of a well within three years from the date of the lease and further provides that upon the drilling of a well lessee shall be entitled to select 20,000 acres which may be held free from rental so long as drilling is continued with no

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cession of more than ninety days. Upon the drilling of another well on property other than the 20,000 acres selected, lessee shall be entitled to retain an additional area of 20,000 acres free from rental so long as drilling is continued with no cessation of more than ninety days. Upon the drilling of a third well on acreage not included in either of the two above mentioned 20,000 acre areas, lessee can maintain the whole lease in force and effect by continuing to drill without cessation of more than ninety days. Until oil, gas or other minerals have been discovered and produced on the lease, drilling must continue on each of the three above mentioned areas, or lessee may at his option cease the drilling on any one or two areas, (but not on all three areas) and preserve the lease as to said areas by resuming the payment of rentals.

^{OPERATIONS}
If both rentals and ~~production~~ are stopped, the lease shall be void as to said areas.

July 8th, 1935:

Letter from the Register of the State Land Office to The Texas Company advising as to when the notice for the receipt of bids was advertised and in what papers. This was in response to an inquiry by The Texas Company and suggests *the* possibility that The Texas Company did not know of the notice for said bids *or was anxious that lease be let.*

July 18th, 1935:

Assignment of said lease from William T. Burton to The Texas Company with the reservation of a 1/24th override.

July 23rd, 1935:

A letter from the Register of State Land Office to The Texas Company enclosing a copy of Burton's bid and stating that another bid for forty acres was submitted but was irregular. It is suggested that an attempt should be made to secure this bid as some information re the questions hereinafter pointed out may be secured from this source.

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Unknown date between July 18th, 1935 and June 4th, 1936: Assignment from Burton to Win or Lose Corporation, now the Independent Oil Company, of 3/4ths of the 1/24th override owned by him.

June 4th, 1936:

Re-assignment of the lease by The Texas Company to William T. Burton.

July 3rd, 1936:

Re-assignment by the Win or Lose Corporation to William T. Burton of the 3/4ths of the 1/24th override previously assigned to the Win or Lose Corporation.

R E N T A L S:

March 8th, 1937:

Treasury of the State of Louisiana was directed to receive the rental from William T. Burton for the period July 3rd, 1936 to July 3rd, 1937.

June 30th, 1937:

Rental mailed by William T. Burton to the Register of the State Land Office for the period July 3rd, 1937 to July 3rd, 1938.

June 23rd, 1938:

Rental paid for period July 3rd, 1938 to July 3rd, 1939.

June 22nd, 1939:

Rental paid for period July 3rd, 1939 to July 3rd, 1940.

June 21st, 1940:

Rental paid for period July 3rd, 1940 to July 3rd, 1941.

NOTE: The first two rental payments mentioned above have not been definitely ascertained to have been paid on time. This should be checked carefully. It should be noted that we have determined that the statement in the attached memorandum of C. C. Wood to the effect that the rental for the year 1937-38 was not paid on time, has not definitely been established as true.

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D E V E L O P M E N T:

June 2nd, 1938:

State-Lake Pontchartrain #1 Well commenced. 6/1/38

May 13th, 1939:

Above well abandoned as dry.

August 9th, 1939:

Selection by William T. Burton of the first 20,000 acre unit provided for under the terms of the lease, by virtue of the commencement of drilling of the first well.

April 18th, 1939:

State-Lake Pontchartrain #2 Well commenced on the above mentioned first 20,000 acre unit. 5/

March 18th, 1940:

State-Lake Pontchartrain #2 Well abandoned as dry.

Unknown date sometime before November 7th, 1940:

State-Lake Pontchartrain #3 Well commenced on the above mentioned first 20,000 acre unit. 7/15/40

November 7th, 1940:

State-Lake Pontchartrain #3 Well abandoned as dry.

Unknown date sometime before December 18th, 1940:

Well #4 commenced on an area outside of the first 20,000 acre unit.

December 18th, 1940:

Abovementioned Well #4 abandoned as dry.

January 21st, 1941:

Selection by William T. Burton of the second 20,000 acre unit provided for by the lease by virtue of the commencement of drilling of a well outside of the first 20,000 acre unit.

Unknown date sometime before January 21st, 1941;

Well #5 commenced on an area outside of the first and second 20,000 acre units above mentioned.

February 3rd, 1941:

Written notice by William T. Burton of his intention to cease operations on the first 20,000 acre unit designated by

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him, said notice being given in accordance with the terms of the lease. By virtue of this notification the lessee became entitled to preserve the lease as to this 20,000 acres until July 3rd, 1941, the next rental paying date by virtue of having paid \$15,775.00 on July 3rd, 1940. See sub-paragraphs f, g and h of Paragraph II of the lease.

February 24th, 1941:

Well #5 mentioned above and located on an area outside of both the first and second 20,000 acre units was abandoned as dry.

February 27th, 1941:

Well #6 commenced on the area outside of both of these first and second 20,000 acre units mentioned above.

March 14th, 1941:

Written notice by William T. Burton addressed to the Governor, the Register of State Land Office, the Department of Minerals and the State Mineral Board, of intention to cease operations on the second 20,000 acre unit mentioned above. This notice was given according to the terms of the lease and thereby entitled lessee to preserve the lease as to this 20,000 acre unit until July 3rd, 1941, the next rental paying date by virtue of having paid \$15,775.00 on July 3rd, 1940. See sub-paragraphs f, g and h of Paragraph II of the lease.

C O M M E N T S

From the information so far obtained it appears very likely that this lease was obtained through a conspiracy to defraud the State of Louisiana. Paragraph 4 of the memorandum contained in the file written by C. C. Wood contains a detailed explanation of this transaction showing that James A. Noe, and William T. Burton conspired to secure this lease for \$32,750.00 and to assign it to The Texas Company for \$70,500.00, (a profit of \$37,750.00, plus a 1/24th override;) that part of the override was transferred to the Win or Lose Corporation and that the profit was distributed between the stockholders of the Win or Lose Corporation and William T. Burton; that these stockholders were Noe, Seymour Weiss, O. K. Allen, Estate of Huey P. Long, Earle J. Christenberry and Alice Lee Grosjean. The nature of the cause of action would apparently be based on a conspiracy to hinder free competitive bidding on the lease, but in our opinion would be a valid cause of action only if it could be shown either that the Governor or The Texas Company were parties to the conspiracy. If such can be proved it is believed that the lease can be cancelled as of the date of its inception. The Crime Commission may be able to obtain this information by questioning officials of The Texas Company or by investigating and questioning members of the office force of Governor O. K. Allen.

The lease seems to be entirely in accord with the stipulation set forth in the advertisement for same, and it is doubtful that any cancellation could be secured for failure to provide for a minimum period within which production under the lease could be obtained.

With regard to rentals paid under this lease, a careful check should be made to see that they have been paid on time. As indicated above, the records of the State Land Office avail-

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able up to this time ~~there~~^{cause} some doubt as to whether or not all of the payments were made promptly, particularly the first and second payments made under the lease.

With reference to production under this lease (no production has as yet been secured,) although the records of the Department of Minerals should be checked and brought up to date in this respect. A letter contained in the file dated October 7th, 1940 signed by John G. Metzger, Jr., Chief Engineer of the Mineral Division of the Department of Conservation contains information which is now entirely out of date, even if it was correct as of its date. It is apparent that the lease has now lapsed under its terms insofar as the first and second designated 20,000 acre units are concerned. The original lease having contained approximately 470,000 acres, there now remains only approximately 430,000 acres under lease.

The Conveyance Records of the Parishes of Tangipahoa, Livingston, St. Tammany, Orleans, Jefferson, St. Charles and St. John the Baptist should be checked and brought up to date.

Pending the investigation of this lease by this Department, the Department of Revenue has been advised to withhold the cashing of any checks for rentals paid with reference to this lease.

The Mineral Board should not approve any assignment or transfer of this lease without advising the purchasers that same is under investigation, this in order to insure that such persons would not be purchasing in good faith.

It is our belief that if a thorough investigation is made as outlined above, the facts will be revealed which will constitute a good cause of action to cancel this lease at its inception on grounds of fraud.

It is further our opinion that after such an investigation has been made and if such evidence cannot be obtained, the lease should be further investigated from a standpoint of proper development. Further, if any of the rentals have not been paid on time the lease should be cancelled for that cause.

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Difficulty will probably be encountered in this respect because of the fact that the Register of the State Land Office has continued to accept rental payments, and we would, therefore, probably be met with the contention that these acceptances have operated to estop the State from claiming the termination of the lease because of failure to pay rentals on time. The answer to this contention would probably be further in the argument that the Register of the State Land Office has no authority to extend leases or to enter into new lease contracts, and therefore, had no authority to accept rentals after the lease had expired.

A more detailed discussion of the above is contained in Paragraph 6 of the attached memorandum by Mr. C. C. Wood.

Complete maps showing the boundaries of this lease, the wells commenced up to October, 1940 and various unit selections are contained in the map files of this office.

Edward J. Gay, Jr.